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Preliminary Spring 2016 Forecast Adjusts Revenue to Reflect Lower Oil Prices

Juneau – Department of Revenue (DOR) Commissioner Randall Hoffbeck released a preliminary Spring 2016 revenue forecast update today.

“A preliminary version of the Spring 2016 revenue forecast is being released to aid in the budget discussions,” said Commissioner Hoffbeck. Hoffbeck continued, “Ordinarily, we release the spring forecast a week after the annual oil production returns, but because of potential budget implications of sustained low oil prices, we wanted everyone to know the effects on the current revenue outlook as soon as possible.”

General fund unrestricted revenue (GFUR) is now forecast to be \$1.3 billion in fiscal year FY2016 and \$1.2 billion in FY2017. The revenue forecast is driven by an expectation of oil production of at least 500 thousand barrels per day and an average price of oil remaining between \$30 and \$40 per barrel for the next 15 months. The FY2016 forecast represents a decrease in expected GFUR of nearly \$300 million, or about a 17% decrease, compared to the projection in the Fall 2015 forecast.

“It’s all about lower prices,” elaborated Commissioner Hoffbeck, “The revenue forecast is based on a revised oil price forecast of about \$40 per barrel versus \$50 in the fall. The forecast prices over the next ten years have also been reduced to reflect anticipated future lower prices. The average price is now not forecast to reach \$60 until FY2021. However, with the global contraction on investment in production, and spare capacity that represents less than three percent of global demand – we also recognize the potential for significant price volatility over the next few years. In any case petroleum revenue and will likely not exceed \$1.3 billion this coming year, or the next.”

The spring forecast is an annual publication that provides basic information about state revenue, as well as a forecast of state revenue over ten years. The preliminary Spring 2016 revenue forecast will be available today, March 21, 2016, at 9am on the Department’s website, at www.tax.alaska.gov. The final forecast will incorporate information received in annual production tax returns due on March 31, 2016 and will be available the first week of April. Any revisions to the forecast will primarily be related to oil and gas production tax and most likely will not exceed \$100 million in any given year.
